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Venezuela

Coffee

Annual

2003

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Report Highlights:

The Venezuelan coffee sector had a dismal 2001/02, and prospects for 2002/03 are only slightly better. A combination of bad economic conditions, including high unemployment, inflation and devaluation, deteriorating infrastructure and organization within the sector, and unfavorable climatic conditions has led to drops in both production and domestic consumption. On the other hand, the dramatic decrease in the value of the bolivar has finally made Venezuelan coffee competitive on the world market and underlies the recent rise in exports. These trends are expected to continue for the 2003/04 year.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

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PSD Table						
Country	Venezuela					
Commodity	Coffee, Green				(1000 HA)(MILLION TREES)(1000 60 KG BAGS)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Planted	310	310	310	310	0	310
Area Harvested	280	280	280	240	0	234
Bearing Trees	610	610	610	610	0	580
Non-Bearing Trees	20	20	20	20	0	25
TOTAL Tree Population	630	630	630	630	0	605
Beginning Stocks	407	407	582	603	692	533
Arabica Production	1065	1065	1070	920	0	897
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
TOTAL Production	1065	1065	1070	920	0	897
Bean Imports	20	20	20	10	0	10
Roast & Ground Imports	20	20	20	10	0	10
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	40	40	40	20	0	20
TOTAL SUPPLY	1512	1512	1692	1543	692	1450
Bean Exports	150	124	200	250	0	260
Roast & Ground Exports	30	35	30	35	0	35
Soluble Exports	5	5	5	5	0	0
TOTAL Exports	185	164	235	290	0	295
Rst,Ground Dom. Consum	730	730	750	710	0	690
Soluble Dom. Consum.	15	15	15	10	0	10
TOTAL Dom. Consumption	745	745	765	720	0	700
Ending Stocks	582	603	692	533	0	455
TOTAL DISTRIBUTION	1512	1512	1692	1543	0	1450

Prices Table			
Country	Venezuela		
Commodity	Coffee, Green		
Prices in	Bolivars	per uom	Kilo
Year	2001	2002	% Change
Jan	3718.56	3487	-6.23%
Feb	3726.52	3504.24	-5.96%
Mar	3669.96	3554.04	-3.16%
Apr	3669.88	3604.64	-1.78%
May	3618	3564.4	-1.48%
Jun	3588.16	3574.72	-0.37%
Jul	3536.72	3703.84	4.73%
Aug	3469.32	3789.6	9.23%
Sep	3413	3841.48	12.55%
Oct	3427.56	3865.56	12.78%
Nov	3443.12	3896.88	13.18%
Dec	3450.96	3865.4	12.01%
Exchange Rate	1,600	Local currency/US \$	

Source: Venezuelan Statistics Institute (INE, Instituto Nacional de Estadísticas)

Prices Table			
Country	Venezuela		
Commodity	Coffee Ground & Roasted		
Prices in	Dollars	per uom	Kilo
Date	Exchange rate	Price	
Dec 00	679.33	5.44	
2001			
Jan 01	699.7	5.28	
Feb	702.58	5.28	
March	705.52	5.12	
April	709.64	5.08	
May	714.39	5.04	
June	716.69	5	
July	722	4.88	
Aug	730.82	4.72	
Sept	742.94	4.56	
Oct	743.07	4.6	
Nov	744.73	4.6	
Dec 01	751.91	4.56	
2002			
Jan 02	761.55	5.56	
Feb	884.21	3.96	
March	947.22	3.76	
April	876.54	4.12	
May	965.48	3.68	
June	1,196.74	3	
July	1,328.98	2.8	
Aug	1,373.93	2.76	
Sept	1,457.20	2.64	
Oct	1,452.32	2.68	
Nov	1,366.60	2.84	
Dec 02	1,800	2.12	
2003			
Jan 03	1,800	2.16	
Feb 03	1,600	2.44	
March 03	1,600	1.88	

Source: Venezuelan Statistics Institute (INE, Instituto Nacional de Estadísticas)

Production

Venezuela produces coffee of very high quality, almost entirely of the Arabica variety. It is harvested at altitudes ranging from 600 meters to 1,500 meters and is classified in three categories: Fine washed, Good washed, and Naturals. The main producing areas are in the states of Lara and Portuguesa. Yields have tended to be low due to the relatively low density of tree planting, and about 20 percent of the coffee farms are extremely small holdings. Average yields in 2001/02 were 3.8 bags per hectare.

The Venezuelan coffee sector has been suffering in recent years from the lack of any public support for marketing or technical assistance. Of the local coffee producer associations, CAPEC, (Coffee and Cocoa Producers and Exporters Chamber) has recently closed its doors due to inability of its producers to continue to fund the organization, and CAPEC is operating on a restricted level. The other two other major organizations, AVIC (Asociación Venezolana de Industriales del Café) and ANICAF (Asociación Nacional de Caficultores de Venezuela) are struggling, and will be reorganized soon. Foreign exchange controls put in place by the government in January 2003 have now also made it difficult if not impossible to import production inputs such as fertilizers and pesticides, as well as packaging materials. Increasingly farms are cutting back on maintenance and in some cases abandoning plantations which is reflecting in lower area harvested.

Coffee production for the 2002/03 harvest is estimated to fall by 14 percent, and forecast to drop slightly more in 2003/04. The fall in production comes from a drop in area harvested due to lower prices received by producers, poor market prospects, the general economic recession, as well as untimely rains in the coffee zones.

Consumption

High internal prices have made it difficult to move coffee on the domestic market in recent years. Per capita coffee consumption in Venezuela was once as high as 3 kilograms/person, but is now estimated at only 1.8 kilograms/year. Domestic retail coffee prices climbed 12 percent in bolivar terms during 2002, a year which also saw significant increases in unemployment and a recession. Post is forecasting around a 3 percent annual decrease in coffee consumption for 2002/03 and 2003/04 as consumers tighten their belts in this as well as other areas. Competition from alternative beverages such as soft drinks and teas has also cut into coffee consumption.

The government has had limited intervention in the coffee sector, mainly purchasing surplus coffee stocks for sale to lower income families through its official food security program, PROAL (Programa de Alimentos Estratégicos). In late 2002, the Government of Venezuela acquired about 150,000 bags of green coffee from last year's harvest through the Venezuelan Agricultural Stock Exchange in order to help stabilize the product's price. The price paid by the Government was almost 9 percent above the market average. The coffee was acquired by a State owned Corporation (Corporación CASA) in order to be sold to low income people.

Trade

The one bright spot in the coffee sector has been the surge in exports in recent months. Venezuelan coffee exports had dropped since 1999 due to the glut in the international coffee markets, the overvalued bolivar, and the high prices in the domestic market. The devaluation of the bolivar in February 2002 started the process under which Venezuelan exports once again became competitive. The attached prices table show Venezuelan retail coffee prices are now only about a third of what they were before the devaluation, falling from \$5.56/kilo in January 2002 to \$1.88 per kilo in March 2003.

The United States is the major market for Venezuelan coffee and U.S. trade data show imports from Venezuela up 390 percent this year over the first six months of the previous marketing year. Post is accordingly increasing our 2002/03 export estimate to 250,000 bags. In addition, U.S. imports of roasted coffees have more than doubled compared to last year at this time, and sales, while small, are becoming increasingly significant to the small coffee roasters and the gourmet coffee processing sector.

Stocks

Even in the face of declining consumption, the increase in exports should finally help to reduce the tremendous amount of coffee stocks hanging over the market. Stocks were nearing a full year's consumption, and at some time much of the older product will have to be written off at a loss.